

109TH CONGRESS
1ST SESSION

S. 2123

To modernize the manufactured housing loan insurance program under title I of the National Housing Act.

IN THE SENATE OF THE UNITED STATES

DECEMBER 16, 2005

Mr. ALLARD (for himself, Mr. BAYH, and Mr. MARTINEZ) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To modernize the manufactured housing loan insurance program under title I of the National Housing Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “FHA Manufactured
5 Housing Loan Modernization Act of 2005”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—The Congress finds that—

8 (1) manufactured housing plays a vital role in
9 providing housing for low- and moderate-income
10 families in the United States;

1 (2) the FHA title I insurance program for man-
2 ufactured home loans traditionally has been a major
3 provider of mortgage insurance for home-only trans-
4 actions;

5 (3) the manufactured housing market is in the
6 midst of a prolonged downturn which has resulted in
7 a severe contraction of traditional sources of private
8 lending for manufactured home purchases;

9 (4) during past downturns the FHA title I in-
10 surance program for manufactured homes has filled
11 the lending void by providing stability until the pri-
12 vate markets could recover;

13 (5) in 1992, during the manufactured housing
14 industry's last major recession, over 30,000 manu-
15 factured home loans were insured under title I;

16 (6) in 2004, fewer than 2,000 manufactured
17 housing loans were insured under title I;

18 (7) the dramatic reduction in the use of the
19 title I program is due primarily to certain structural
20 problems of the program, which have resulted in re-
21 fusal by the Government National Mortgage Associa-
22 tion (Ginnie Mae) to accept new participants into
23 the program since 1989, contributing to higher loan
24 costs and fewer loan originators;

1 (8) the loan limits for title I manufactured
2 housing loans have not been adjusted for inflation
3 since 1992; and

4 (9) these problems with the title I program
5 have resulted in an atrophied market for manufac-
6 tured housing loans, leaving American families who
7 have the most difficulty achieving homeownership
8 without adequate financing options for home-only
9 manufactured home purchases.

10 (b) PURPOSES.—The purposes of this Act are—

11 (1) to provide adequate funding for FHA-in-
12 sured manufactured housing loans for low- and mod-
13 erate-income homebuyers during all economic cycles
14 in the manufactured housing industry;

15 (2) to modernize the FHA title I insurance pro-
16 gram for manufactured housing loans to enhance
17 participation by Ginnie Mae and the private lending
18 markets;

19 (3) to adjust the artificially low loan limits for
20 title I manufactured home loan insurance to reflect
21 the increase in costs since such limits were last in-
22 creased in 1992 and to index the limits to inflation;
23 and

1 (4) to ensure that the title I manufactured
 2 housing loan insurance program requires no credit
 3 subsidy from the Federal Government.

4 **SEC. 3. EXCEPTION TO LIMITATION ON FINANCIAL INSTI-**
 5 **TUTION PORTFOLIO.**

6 The second sentence of section 2(a) of the National
 7 Housing Act (12 U.S.C. 1703(a)) is amended by striking
 8 “In no case” and inserting the following: “Other than in
 9 connection with a manufactured home or a lot on which
 10 to place such a home (or both), in no case”.

11 **SEC. 4. LOAN-TO-VALUE RATIO AND DOWNPAYMENT RE-**
 12 **QUIREMENT.**

13 Section 2(b) of the National Housing Act (12 U.S.C.
 14 1703(b)) is amended by adding at the end the following
 15 new paragraph:

16 “(8) LOAN-TO-VALUE AND DOWNPAYMENT LIMITA-
 17 TIONS ON MANUFACTURED HOUSING LOANS.—No insur-
 18 ance may be granted under this section to any such finan-
 19 cial institution with respect to any obligation representing
 20 any such loan, advance of credit, or purchase by it in con-
 21 nection with a manufactured home or a lot on which to
 22 place a manufactured home (or both) unless such loan or
 23 advance of credit, or any loan or advance of credit rep-
 24 resented by such an obligation—

1 “(A) involves a principal obligation not exceed-
2 ing the sum of—

3 “(i) the amount of the mortgage insurance
4 premium paid by the borrower at the time that
5 the loan, advance of credit, or purchase is
6 made; and

7 “(ii) 95 percent of the appraised value of
8 the manufactured home or lot on which to place
9 a manufactured home (or both) for which the
10 loan or advance of credit is made; and

11 “(B) is made to a borrower who has paid in
12 cash or its equivalent, on account of the manufac-
13 tured home or lot on which to place a manufactured
14 home (or both) for which the loan or advance of
15 credit is made, at least 3 percent of the Secretary’s
16 estimate of the costs of acquisition, alteration, im-
17 provements, lot preparation, or other eligible activity
18 for which the loan or advance of credit was made
19 (excluding the amount of the mortgage insurance
20 premium paid by the borrower at the time that the
21 loan or advance of credit is made).”.

22 **SEC. 5. INSURANCE BENEFITS.**

23 Section 2(b) of the National Housing Act (12 U.S.C.
24 1703(b)), as amended by section 4, is further amended
25 by adding at the end the following new paragraph:

1 “(9) INSURANCE BENEFITS FOR MANUFACTURED
2 HOUSING LOANS.—

3 “(A) IN GENERAL.—Any contract of insurance
4 with respect to loans, advances of credit, or pur-
5 chases in connection with a manufactured home or
6 a lot on which to place a manufactured home (or
7 both) for a financial institution that is executed
8 under this title before or after the date of the enact-
9 ment of the FHA Manufactured Housing Loan Mod-
10 ernization Act of 2005 by the Secretary shall be con-
11 clusive evidence of the eligibility of such financial in-
12 stitution for insurance, and the validity of any con-
13 tract of insurance so executed shall be incontestable
14 in the hands of the bearer from the date of the exe-
15 cution of such contract, except for fraud or mis-
16 representation on the part of such institution.

17 “(B) LOSSES.—With respect only to a loan, ad-
18 vance of credit, or purchase in connection with a
19 manufactured home or a lot on which to place such
20 a home (or both), the Secretary shall otherwise pro-
21 vide for the payment of insurance benefits under the
22 provisions of this section for losses on such loans,
23 advances, or purchases according to the same terms,
24 conditions, procedures, and requirements applicable
25 under section 204 to a mortgage insured under sec-

tion 203 covering a manufactured home (and the site on which it is located).”.

SEC. 6. MAXIMUM LOAN LIMITS.

(a) DOLLAR AMOUNTS.—Section 2(b)(1) of the National Housing Act (12 U.S.C. 1703(b)(1)) is amended—

(1) in subparagraph (A)(ii), by striking “\$17,500” and inserting “\$24,500”;

(2) in subparagraph (C) by striking “\$48,600” and inserting “\$68,040”;

(3) in subparagraph (D) by striking “\$64,800” and inserting “\$90,720”;

(4) in subparagraph (E) by striking “\$16,200” and inserting “\$22,680”; and

(5) by realigning subparagraphs (C), (D), and (E) 2 ems to the left so that the left margins of such subparagraphs are aligned with the margins of subparagraphs (A) and (B).

(b) ANNUAL INDEXING.—

(1) METHOD OF INDEXING.—Section 206A of the National Housing Act (12 U.S.C. 1712a) is amended—

(A) in subsection (a)—

(i) by redesignating paragraphs (1) through (7) as paragraphs (2) through (8), respectively; and

1 (ii) by inserting before paragraph (2)
 2 (as so redesignated) the following new
 3 paragraph:

4 “(1) subparagraphs (A)(ii), (C), (D), and (E)
 5 of section 2(b)(1) (12 U.S.C. 1703(b)(1));”.

6 (2) 2004 AND 2005 ADJUSTMENTS.—Not later
 7 than 30 days after the date of the enactment of this
 8 Act, the Federal Reserve Board shall calculate the
 9 adjustments for 2004 and 2005 pursuant to para-
 10 graph (1) of section 206A(a) of the National Hous-
 11 ing Act (12 U.S.C. 1712a(a)(1)), as added by the
 12 amendment made by paragraph (1) of this sub-
 13 section, and shall notify the Secretary of Housing
 14 and Urban Development pursuant to subsection (b)
 15 of such section 206A. Such adjustments shall take
 16 effect upon the date of such notification.

17 (3) TECHNICAL AND CONFORMING CHANGES.—
 18 Section 2(b)(1) of the National Housing Act (12
 19 U.S.C. 1703(b)(1)), as amended by subsection (a), is
 20 further amended—

21 (A) by striking “No” and inserting “Ex-
 22 cept as provided in the last sentence of this
 23 paragraph and in paragraph (8), no”; and

24 (B) by adding after and below subpara-
 25 graph (G) the following flush language:

1 “The Secretary shall, by regulation, increase the dol-
 2 lar amount limitations in subparagraphs (A)(ii), (C),
 3 (D), and (E) (as such limitations may have been ad-
 4 justed in accordance with section 206A of this
 5 Act).”.

6 **SEC. 7. INSURANCE PREMIUMS.**

7 Section 2(f) of the National Housing Act (12 U.S.C.
 8 1703(f)) is amended—

9 (1) by inserting “(1) IN GENERAL.—” after
 10 “(f)”; and

11 (2) by adding at the end the following new
 12 paragraph:

13 “(2) MANUFACTURED HOME LOANS.—Notwith-
 14 standing paragraph (1), in the case of a loan, ad-
 15 vance of credit, or purchase in connection with a
 16 manufactured home or a lot on which to place such
 17 a home (or both), the premium charge for the insur-
 18 ance granted under this section shall be paid by the
 19 borrower under the loan or advance of credit, as fol-
 20 lows:

21 “(A) At the time of the making of the
 22 loan, advance of credit, or purchase, a single
 23 premium payment in an amount not to exceed
 24 2.25 percent of the amount of the original in-
 25 sured principal obligation.

1 “(B) In addition to the premium under
2 subparagraph (A), annual premium payments
3 during the term of the loan, advance, or obliga-
4 tion purchased in an amount not exceeding 1.0
5 percent of the remaining insured principal bal-
6 ance (excluding the portion of the remaining
7 balance attributable to the premium collected
8 under subparagraph (A) and without taking
9 into account delinquent payments or prepay-
10 ments).

11 “(C) Premium charges under this para-
12 graph shall be established in amounts that are
13 sufficient, but do not exceed the minimum
14 amounts necessary, to maintain a negative cred-
15 it subsidy for the program under this section
16 for insurance of loans, advances of credit, or
17 purchases in connection with a manufactured
18 home or a lot on which to place such a home
19 (or both), as determined based upon risk to the
20 Federal Government under existing under-
21 writing requirements.”.

22 **SEC. 8. REVISION OF UNDERWRITING CRITERIA.**

23 (a) IN GENERAL.—Section 2(b) of the National
24 Housing Act (12 U.S.C. 1703(b)), as amended by the pre-

1 ceding provisions of this Act, is further amended by add-
2 ing at the end the following new paragraph:

3 “(10) FINANCIAL SOUNDNESS OF MANUFACTURED
4 HOUSING PROGRAM.—The Secretary shall establish such
5 underwriting criteria for loans and advances of credit in
6 connection with a manufactured home or a lot on which
7 to place a manufactured home (or both), including such
8 loans and advances represented by obligations purchased
9 by financial institutions, as may be necessary to ensure
10 that the program under this title for insurance for finan-
11 cial institutions against losses from such loans, advances
12 of credit, and purchases is financially sound.”.

13 (b) TIMING.—Not later than the expiration of the 6-
14 month period beginning on the date of the enactment of
15 this Act, the Secretary of Housing and Urban Develop-
16 ment shall revise the existing underwriting criteria for the
17 program referred to in paragraph (10) of section 2(b) of
18 the National Housing Act (as added by subsection (a) of
19 this section) in accordance with the requirements of such
20 paragraph.

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